

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /100 W
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R 212020Z SEP 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1899

INFO AMEMBASSY MEXICO

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E.O. 11652: N/A

TAGS: ENRG, EINV, EALR, PE

SUBJEVB: MEXICAN FIRM AWARDED CONTRACT FOR OXY SPUR LINE

REF: LIMA 8237, LIMA 6681

1. SUMMARY: THE GOVERNMENT OF PERU HAS CHOSEN THE MEXICAN FIRM PROTEXA TO CONSTRUCT THE SPUR LINE LINKING OCCIDENTAL'S PERUVIAN FIELDS TO THE PRINCIPAL NORTHERN PERUVIAN PIPELINE. THE CONSTRUCTION IS TO BE COMPLETED WITHIN 15 TO 17 MONTHS. DECISIVE FACTOR IN SELECTING PROTEXA WAS AVAILABILITY OF FINANCING FROM MEXICO. END SUMMARY.

2. SUPREME DECREE 037-76-EM/DGH OF SEPTEMBER 7, PUBLISHED IN "EL PERUANO" OF SEPTEMBER 15, AUTHORIZES PETROPERU TO ENTER INTO A CONTRACT WITH THE MEXICAN FIRM CONSTRUCCIONES PROTEXA, S. A. D.C.V., FOR THE CONSTRUCTION OF THE NORTHERN FEEDERLINE WHICH WILL LINK OCCIDENTAL PETROLEUM'S PERUVIAN OIL FIELDS WITH THE MAIN NORTHERN PERU PIPELINE. THE 16" FEEDERLINE WILL BE APPROXIMATELY 160 MILES LONG, AND PLANS ARE FOR IT TO BE DESIGNED TO TRANSPORT 80,000 BPD INITIALLY. THE SPUR LINE WILL CONNECT WITH THE MAIN

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PIPELINE NEAR STATION 5 OF THE MAIN LINE, APPROXIMATELY

250 MILES EAST, NORTHEAST OF THE PORT OF BAYOVAR.

3. ACCORDING TO THE DECREE, THE MULTI-SECTORAL COMMISSION, WHICH STUDIED THE THREE ORIGINAL PROPOSALS (THE OTHERS WERE FROM PHILIPP BROTHERS/WILLIAMS INTERNATIONAL FROM THE U.S. AND TECHINT OF ARGENTINA - SEE LIMA 5581 AND 6681). UNANIMOUSLY RECOMMENDED THAT THE CONTRACT BE AWARDED TO THE MEXICAN COMPANY INASMUCH AS IT WAS THE MOST ADVANTAGEOUS FOR PERU. EMBASSY SOURCES HAVE TOLD US THAT THE MEXICAN FIRM WAS SELECTED OVER THE OTHER PARTIES PRIMARILY BECAUSE IT WAS ABLE TO OFFER CONSIDERABLY BETTER FINANCIAL TERMS THAN THE OTHERS. OF THE ESTIMATED CONSTRUCTION COST OF \$130 MILLION, PROTEXA, THROUGH THE MEXICAN EXPORT BANK FOMEX, WAS ABLE TO PROVIDE \$60,000,000 WITH TERMS OF 8.5 PERCENT AT TEN YEARS, WITH TWO AND ONE-HALF YEARS GRACE. TECHINT WAS NOT ABLE TO PUT TOGETHER SUCH A LARGE FINANCIAL PACKAGE AND THE MINERAL SALES SCHEME OF PHILIPP BROTHERS WAS CONSIDERED "NOT TO BE CONVENIENT TO THE COUNTRY'S INTERESTS."

4. ALTHOUGH THE ORIGINAL ESTIMATES INDICATED THAT CONSTRUCTION OF THE SPUR LINE WOULD TAKE ABOUT TWO YEARS, LIMA'S SEPTEMBER 17 NEWSPAPERS STATE THAT THE PETROPERU-PROTEXA CONTRACT CALLS FOR COMPLETION OF CONSTRUCTION IN 15 TO 17 MONTHS. IF THIS SCHEDULE IS CORRECT AND HOLDS, THE SPUR LINE WOULD BE IN OPERATION CLOSE TO THE DECEMBER 31, 1977, DEADLINE ESTABLISHED IN PETROPERU'S CONTRACT WITH OCCIDENTAL. OXY APPEARS WILLING TO GO ALONG WITH ANY MINOR DELAYS IN THE CONSTRUCTION.
DEAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONTRACTS, RAILROADS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LIMA08593
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760358-0285
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760938/aaaabgbd.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LIMA 8237, 76 LIMA 6681
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by saccheem>; APPROVED <28 OCT 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EVB: MEXICAN FIRM AWARDED CONTRACT FOR OXY SPUR LINE
TAGS: ENRG, EINV, EALR, ELTN, ECRE, PE, MX, PROTEXA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006